

**STRAWBERRY FIELDS CONDOMINIUM
OWNERS ASSOCIATION, INC.**

**Financial Statements &
Supplementary Information**

For the Year Ended December 31, 2015

INDEPENDENT AUDITORS' REPORT

Board of Directors
Strawberry Fields Condominium Owners
Association, Inc.
Colorado Springs, Colorado

We have audited the accompanying financial statements of Strawberry Fields Condominium Owners Association, Inc., which comprise the balance sheet as of December 31, 2015, and the related statements of revenue, expenses, and changes in fund balances and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Strawberry Fields Condominium Owners Association, Inc. as of December 31, 2015, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the information about future major repairs and replacements of common property on the final page be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Waugh & Goodwin, LLP

Colorado Springs, Colorado
February 12, 2016

STRAWBERRY FIELDS CONDOMINIUM OWNERS ASSOCIATION, INC.

Balance Sheet

December 31, 2015

ASSETS

	<u>Operating Fund</u>	<u>Replacement Reserve Fund</u>	<u>Total</u>
CURRENT ASSETS:			
Cash and cash equivalents	\$ 11,956	\$ 3,563	\$ 15,519
Assessments receivable, net	13,927		13,927
Prepaid insurance	<u>10,954</u>		<u>10,954</u>
TOTAL ASSETS	<u>\$ 36,837</u>	<u>\$ 3,563</u>	<u>\$ 40,400</u>

LIABILITIES AND FUND BALANCES

CURRENT LIABILITIES:			
Accounts payable	\$ 11,566	\$	\$ 11,566
Assessments received in advance	<u>24,470</u>		<u>24,470</u>
Total current liabilities	36,036		36,036
FUND BALANCES	<u>801</u>	<u>3,563</u>	<u>4,364</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 36,837</u>	<u>\$ 3,563</u>	<u>\$ 40,400</u>

See Notes to Financial Statements

STRAWBERRY FIELDS CONDOMINIUM OWNERS ASSOCIATION, INC.
Statement of Revenue, Expenses, and Changes in Fund Balances
For the Year Ended December 31, 2015

	Operating Fund	Replacement Reserve Fund	Total
REVENUE:			
Homeowner assessments	\$ 497,014	\$ 98,846	\$ 595,860
Late charges & fees	4,450		4,450
Other income	3,150		3,150
Interest income	7	199	206
Total revenue	<u>504,621</u>	<u>99,045</u>	<u>603,666</u>
EXPENSES:			
Water	122,033		122,033
Siding/stucco repair/replacement	38,359	81,156	119,515
Asphalt		93,821	93,821
Roof repair	26,120	66,475	92,595
Insurance	57,033		57,033
Drainage		54,440	54,440
Concrete repair	1,930	49,164	51,094
General maintenance & repair	22,080	24,450	46,530
Landscaping	37,585		37,585
Management	36,092		36,092
Stairs		32,571	32,571
Snow removal	23,647		23,647
Trash	18,094		18,094
Light maintenance & repair	4,733	12,493	17,226
Electric	16,340		16,340
Gate maintenance	11,422		11,422
Pool operations & repair	10,368		10,368
Administration	9,993		9,993
Clubhouse	9,253		9,253
Tennis court		8,000	8,000
Janitorial	7,250		7,250
Street repair/sweep	7,010		7,010
Gutter repair	4,755		4,755
Plumbing	4,486		4,486
Bad debts	4,390		4,390
Professional fees	4,223		4,223
Gas	3,642		3,642
Sprinkler repair	3,524		3,524
Clubhouse maintenance	3,378		3,378
Pest control	2,220		2,220
Fence/wall repair	1,485	515	2,000
Telephone	1,895		1,895
Legal	1,870		1,870
Accounting	1,800		1,800
Tree maintenance	1,025		1,025
Furnace repair	455		455
Cable	421		421
Total expenses	<u>498,911</u>	<u>423,085</u>	<u>921,996</u>
EXCESS OF REVENUE OVER (UNDER)			
EXPENSES	5,710	(324,040)	(318,330)
FUND BALANCES, beginning of year	<u>(4,909)</u>	<u>327,603</u>	<u>322,694</u>
FUND BALANCES, end of year	<u>\$ 801</u>	<u>\$ 3,563</u>	<u>\$ 4,364</u>

See Notes to Financial Statements

STRAWBERRY FIELDS CONDOMINIUM OWNERS ASSOCIATION, INC.

Statement of Cash Flows

For the Year Ended December 31, 2015

	Operating Fund	Replacement Reserve Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Excess of revenue over (under) expenses	\$ 5,710	\$ (324,040)	\$ (318,330)
Adjustments to reconcile excess of revenue over (under) expenses to net cash provided (used) by operating activities:			
Changes in assets and liabilities:			
Increase in assessments receivable, net	(2,257)		(2,257)
Increase in prepaid insurance	(470)		(470)
Decrease in accounts payable	(4,297)		(4,297)
Increase in assessments received in advance	6,222		6,222
Total adjustments	(802)		(802)
Net cash provided (used) by operating activities	4,908	(324,040)	(319,132)
NET INCREASE (DECREASE) IN CASH	4,908	(324,040)	(319,132)
CASH AND CASH EQUIVALENTS, beginning of year	7,048	327,603	334,651
CASH AND CASH EQUIVALENTS, end of year	\$ 11,956	\$ 3,563	\$ 15,519

See Notes to Financial Statements

STRAWBERRY FIELDS CONDOMINIUM OWNERS ASSOCIATION, INC.

Notes to Financial Statements

For the Year Ended December 31, 2015

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Strawberry Fields Condominium Owners Association, Inc. is a statutory condominium association that was incorporated in the State of Colorado on November 19, 1997. The Association is responsible for the operation and maintenance of the common property of Strawberry Fields Condominium Owners Association, Inc. The development consists of 232 residential units located in Colorado Springs, Colorado.

Basis of Accounting

The accompanying financial statements are presented using the accrual basis of accounting. Financial resources are classified for accounting purposes into two funds. The operating fund is used to account for the general operations of the Association. The replacement reserve fund is used to accumulate monies designated for future major repairs and replacements.

Income Tax

The Association has elected to be taxed as a homeowner association under Internal Revenue Code Section 528. Under that Section, the Association is not taxed on income and expenses related to its exempt purpose, which is the acquisition, construction, management, maintenance, and care of the Association property. Net nonexempt function income, which includes earned interest and revenues received from nonmembers, is taxed by the federal government and by the State of Colorado.

The Association's tax filings are subject to audit by various taxing authorities. The Association's federal income tax returns for 2012 to 2015 remain open to examination by the Internal Revenue Service; Colorado income tax returns for 2011 to 2015 are open to examination. Management of the Association believes that it does not have any uncertain tax positions that are material to the financial statements.

Notes to Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Assessments Receivable

Assessments receivable are stated at the amount the Association expects to collect from balances outstanding at year-end. Based on the Association's experience with owners having outstanding balances, it has recorded an allowance for doubtful accounts of \$20,000 at December 31, 2015.

Property

Real property and common areas acquired from the developer and related improvements to such property are not recorded in the Association's financial statements because those properties are owned by the individual unit owners in common and not by the Association.

Supplemental Cash Flow Disclosures

For purposes of the statements of cash flows, cash and cash equivalents are defined as demand deposits and short-term investments with an initial maturity of three months or less.

During the year ended December 31, 2015, the Association paid no interest or income taxes.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities, and the reported amounts of revenues and expenses. Actual results could differ from those estimates.

Date of Management's Review

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through February 12, 2016, the date that the financial statements were available to be issued.

Notes to Financial Statements

B. REPLACEMENT RESERVE FUNDS

Article XI, Section 11.3 J of the Declaration states that the common assessments set by the Board of Directors may include amounts for the creation of reasonable reserves for the repair, replacement and maintenance of those common elements that must be replaced periodically.

The Association has allocated amounts from owners' monthly maintenance assessments to the reserve replacement fund. The replacement reserve funds have been segregated from the Association's operating fund.

C. FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association engaged an independent firm to prepare a reserve analysis in July 2008 to estimate the remaining useful lives and the replacement costs of the common property components. The table shown in the unaudited supplementary information on future major repairs and replacements is based on this analysis.

The Association is funding for future major repairs and replacements over the remaining useful lives of the components. Actual expenditures may vary from estimated future expenditures, and the variations may be material. Therefore, amounts accumulated in the replacement reserve fund may not be adequate to meet all future needs for major repairs and replacements. If additional funds are needed, the Association has the right, subject to membership approval, to increase regular assessments or pass special assessments.

STRAWBERRY FIELDS CONDOMINIUM OWNERS ASSOCIATION, INC.

Supplementary Information on Future
Major Repairs and Replacements

December 31, 2015

(Unaudited)

The Association engaged an independent firm to prepare a reserve analysis in July 2008 to estimate the remaining useful lives and the replacement costs of the common property components. Replacement costs were based on the estimated costs to repair or replace the common property components at the date of the study. Estimated replacement costs and estimated remaining lives have not been revised since that date but do take into account the effects of inflation at a rate of 3% between the date of the study and the date that the components will require repair or replacement.

The following information is based on the study and presents significant information about the components of common property.

<u>Components</u>	<u>Estimated Remaining Life</u>	<u>Estimated Replacement Cost</u>	<u>Replacement Reserve Fund Balance at 12/31/15</u>
Concrete	0-2	\$ 28,392	\$
Tennis court (resurface)	10	9,407	
Metal fence/doors/gates	3-15	49,674	
Carpet	2-4	6,622	
Guard/handrail	0-5	6,227	
Trash enclosure	7	3,690	
Carport steel posts	15	28,978	
Landscaping and irrigation	0-8	8,435	
Wood retaining wall	7	13,529	
Security system	6	14,926	
Keycard/phone entry system	4-5	12,549	
Rock veneer	4	3,545	
Furniture and equipment	2-15	49,062	
Kitchenette (refurbish)	6	17,911	
Bathrooms and rooms	4-10	38,567	
Wood fence	1-8	113,361	
Asphalt	5-8	430,517	
Mailboxes	7	8,794	
Gate operators	2-8	29,833	
Exterior (repaint)	0-4	244,922	
Stair treads	1-6	584,071	
Pool/spa	0-8	71,165	
Roofs	13-21	1,456,049	
Gutters/downspout	0-4	9,895	
Signage (replace)	1-12	6,278	
Lights	1-3	4,258	
Unallocated			3,563
Total		<u>\$ 3,250,657</u>	<u>\$ 3,563</u>